

Q3 2016



City of Brawley Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Brawley In Brief

Brawley's receipts from July through September were 2.1% above the third sales period in 2015. Excluding reporting aberrations, actual sales were up 3.3%.

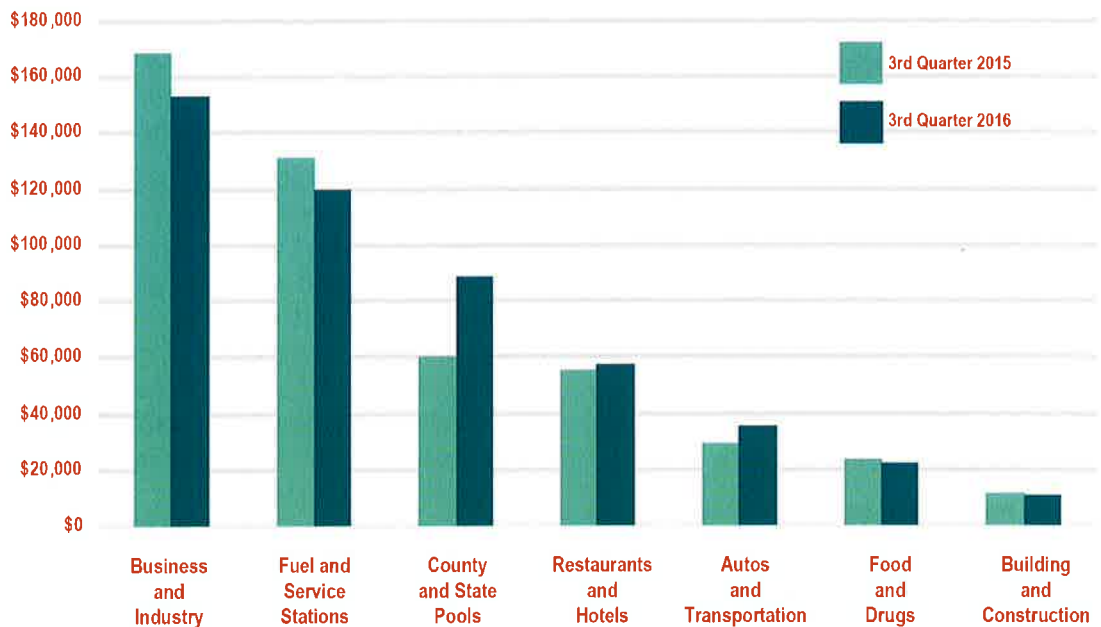
Higher allocations from the countywide use tax pool led the quarter's gains and accounted for most of the overall growth. The pool grew 42% thanks to several large building-construction and business-industrial related allocations and the continued strength of private party vehicle sales.

An increase in auto-transportation related receipts enhanced the bottom line, though a possible misallocation and a payment correction appear to have inflated the category's posted gain.

A multi-quarter audit recovery received last year for a warehouse/farm/construction equipment supplier artificially deflated this year's results in comparison. Service station receipts continued to drop with the fall in gas prices.

Net of aberrations, taxable sales for all of Imperial County declined 2.3% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Las Chabelas
Arco AM PM	Lidco Imperial Valley
AutoZone	McDonalds
Brawley Tractor Parts	McNeece Bros Oil
Circle K 76	Northend Auto Parts
Daniels Tire Service	RDO Water
Exxon	Shell
Fillco	USA Gasoline
HD Supply	Vons
Waterworks	Walmart Online
Imperial Hardware	Walmart Supercenter
Jack in the Box	Weatherford Tubular Services
Johnnys Burritos	
Jordan Implement	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$975,056	\$983,049
County Pool	116,585	146,417
State Pool	485	343
Gross Receipts	\$1,092,126	\$1,129,810
Less Triple Flip*	\$(273,031)	\$0

*Reimbursed from county compensation fund

Published by HdL Companies in Winter 2017

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Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

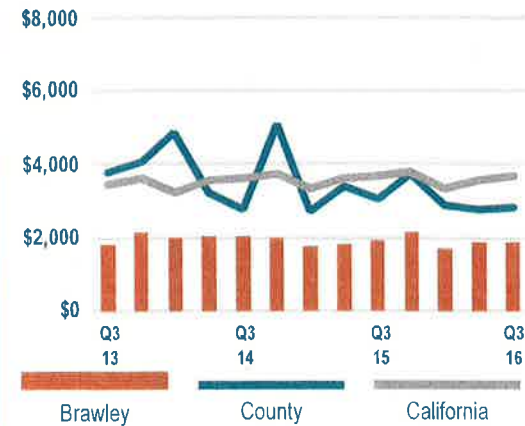
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

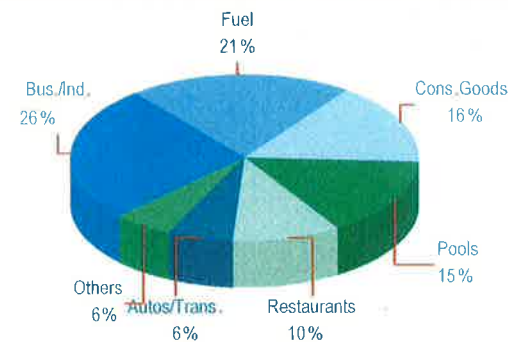
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Brawley This Quarter



BRAWLEY TOP 15 BUSINESS TYPES

Business Type	Brawley		County	HdL State
	Q3 '16	Change	Change	Change
Auto Repair Shops	5,522	4.4%	-1.1%	4.5%
Automotive Supply Stores	22,471	-4.6%	-1.4%	3.8%
Casual Dining	12,630	-5.3%	-1.5%	4.4%
Convenience Stores/Liquor	5,947	1.5%	-0.3%	3.6%
Discount Dept Stores	— CONFIDENTIAL —		-2.7%	-0.4%
Fulfillment Centers	— CONFIDENTIAL —		-24.9%	19.9%
Grocery Stores	9,662	-1.1%	-6.8%	-2.1%
Hardware Stores	— CONFIDENTIAL —		-0.7%	1.9%
Heavy Industrial	— CONFIDENTIAL —		-4.4%	6.3%
Petroleum Prod/Equipment	— CONFIDENTIAL —		3.4%	-23.0%
Quick-Service Restaurants	44,888	6.5%	6.7%	8.9%
Repair Shop/Equip. Rentals	4,461	-14.1%	-21.5%	8.5%
Service Stations	68,352	-16.5%	-17.9%	-13.8%
Variety Stores	— CONFIDENTIAL —		1.5%	8.9%
Warehouse/Farm/Const. Equip.	125,175	-8.1%	-9.0%	3.6%
Total All Accounts	490,341	-3.3%	-6.8%	0.9%
County & State Pool Allocation	88,840	47.7%	42.4%	11.5%
Gross Receipts	579,181	2.1%	-1.6%	2.2%